

**VILLAGE OF GAINES  
GENESEE COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2007**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Village of Gaines	County Genesee
Fiscal Year End 03/31/2007	Opinion Date 08/03/2007	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

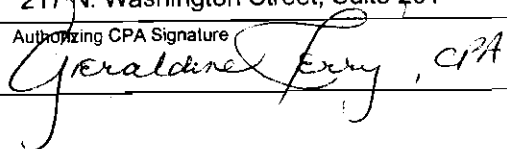
YES  
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☒ The audit opinion is UNQUALIFIED.
13. ☐ ☒ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Demis and Wenzlick, PC		Telephone Number 989-723-8227	
Street Address 217 N. Washington Street, Suite 201		City Owosso	State MI
		Zip 48867	
Authorizing CPA Signature 		Printed Name Geraldine Terry, C.P.A.	License Number 110 1026880

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## INDEPENDENT AUDITOR'S REPORT

**Village Council  
Village of Gaines  
Genesee County, Michigan**

**We have audited the accompanying general-purpose financial statements of Village of Gaines, Michigan as of and for the year ended March 31, 2007. These general-purpose financial statements are the responsibility of the Village of Gaines, Michigan's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.**

**We have conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.**

**Management has not presented government-wide financial statements to display the financial position and changes in financial position of its governmental activities and business-type activities as required by the Governmental Accounting Standards Board (GASB 34). Accounting principles generally accepted in the United States of America require the presentation of government-wide financial statements. GASB 34 requires management's discussion and analysis which also has not been prepared.**

**In our opinion, except for the non-application of GASB 34, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Village of Gaines, Michigan, as of March 31, 2007, in conformity with accounting principles generally accepted in the United States of America.**

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole and on the combining, individual fund and account group financial statements. The accompanying financial information listed as schedules in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the Village of Gaines. The information in these schedules has been subjected to the auditing procedures applied in the audit of the general purpose, combining, individual fund and account group financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements of each of the respective individual funds and account groups, taken as a whole.

Our report of comments and recommendations has been submitted under date of August 3, 2007.

*Dennis and Wengler, PC*

Certified Public Accountants

Owosso, Michigan  
August 3, 2007

**VILLAGE OF GAINES**  
**COMBINED BALANCE SHEET – ALL FUND TYPES**  
**MARCH 31, 2007**

	<u>Governmental Fund Types</u>	<u>Special Revenue</u>	<u>Proprietary Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>General Fixed Asset Accounts</u>	<u>Total Memorandum Only</u>
	<u>General</u>		<u>Enterprise</u>			
<b>ASSETS:</b>						
Cash & Cash Equiv.	\$ 70,918	\$273,468	\$ 179,818	\$ 395	\$	\$ 524,599
Receivables:						
Accounts			7,304			7,304
Delinquent Taxes	12,290	3,321	996			16,607
Advances to Other Funds			7,532			7,532
Due from Other funds	16,997	4,854				21,851
Due from Other Gov't.	5,173	7,389				12,562
Property & Equip. Net			1,268,882		60,206	1,329,088
<b>TOTAL ASSETS</b>	<u>\$105,378</u>	<u>\$289,032</u>	<u>\$1,464,532</u>	<u>\$ 395</u>	<u>\$60,206</u>	<u>\$1,919,543</u>
<b>LIABILITIES, FUND EQUITY &amp; OTHER CREDITS:</b>						
<b>LIABILITIES:</b>						
Accounts Payable	\$ 2,273	\$ 1,104	\$ 6,637	\$	\$	\$ 10,014
Accrued Liabilities	2,786					2,786
Advances from Other Funds		7,532				7,532
Due to Other Funds	4,188	15,576	2,041	46		21,851
Due to Other Gov't				349		349
<b>TOTAL LIABILITIES</b>	<u>\$ 9,247</u>	<u>\$ 24,212</u>	<u>\$ 8,678</u>	<u>\$ 395</u>	<u>\$</u>	<u>\$ 42,532</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF GAINES  
COMBINED BALANCE SHEET – ALL FUND TYPES  
MARCH 31, 2007

	Governmental Fund Types	Special Revenue	Proprietary Fund Type	Fiduciary Fund Type Trust & Agency	General Fixed Asset Accounts	Total Memorandum Only
	<u>General</u>		<u>Enterprise</u>			
<b>FUND EQUITY &amp; OTHER CREDITS:</b>						
Contributed Capital	\$	\$	\$2,005,810	\$	\$	\$2,005,810
Retained Earnings (Deficit)			(549,956)			(549,956)
Fund Balance:						
Unreserved:						
Designated	27,885					27,885
Undesignated	<u>68,246</u>	<u>264,820</u>	<u>          </u>	<u>          </u>	<u>60,206</u>	<u>393,272</u>
<b>TOTAL FUND EQUITY &amp; OTHER CREDITS</b>	<b>\$ <u>96,131</u></b>	<b>\$ <u>264,820</u></b>	<b>\$ <u>1,455,854</u></b>	<b>\$ <u>          </u></b>	<b>\$ <u>60,206</u></b>	<b>\$ <u>1,877,011</u></b>
<b>TOTAL LIABILITIES, FUND EQUITY &amp; OTHER CREDITS</b>	<b>\$ <u>105,378</u></b>	<b>\$ <u>289,032</u></b>	<b>\$ <u>1,464,532</u></b>	<b>\$ <u>395</u></b>	<b>\$ <u>60,206</u></b>	<b>\$ <u>1,919,543</u></b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF GAINES  
COMBINED STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE – ALL GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>General</u>	<u>Special Revenue</u>	<u>Total Memorandum Only</u>
<b>REVENUES:</b>			
Taxes	\$ 79,692	\$ 20,751	\$100,443
Licenses & Permits	822		822
Intergovernmental:			
State	38,876	48,984	87,860
Fines & Fees		601	601
Interest	1,282	8,961	10,243
Miscellaneous	<u>6,773</u>	<u>59,051</u>	<u>65,824</u>
<b>TOTAL REVENUES</b>	<b><u>\$127,445</u></b>	<b><u>\$138,348</u></b>	<b><u>\$265,793</u></b>
<b>EXPENDITURES:</b>			
Current:			
General Government	\$ 62,826	\$	\$ 62,826
Public Safety	962	43,822	44,784
Highways & Streets		34,766	34,766
Recreation & Cultural	4,657		4,657
Other	4,922	3,581	8,503
Capital Outlay		<u>1,585</u>	<u>1,585</u>
<b>TOTAL EXPENDITURES</b>	<b><u>\$ 73,367</u></b>	<b><u>\$ 83,754</u></b>	<b><u>\$157,121</u></b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b><u>\$ 54,078</u></b>	<b><u>\$ 54,594</u></b>	<b><u>\$108,672</u></b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating Transfers In	\$	\$ 28,268	\$ 28,268
Operating Transfers Out	<u>(28,000)</u>	<u>(268)</u>	<u>(28,268)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b><u>\$ (28,000)</u></b>	<b><u>\$ 28,000</u></b>	<b><u>\$ _____</u></b>
<b>EXCESS OF REVENUES &amp; OTHER FINANCING SOURCES OVER EXPENDITURES &amp; OTHER FINANCING USES</b>	<b><u>\$ 26,078</u></b>	<b><u>\$ 82,594</u></b>	<b><u>\$108,672</u></b>
Fund Balance – Beginning of Year	\$ 70,053	\$182,226	\$252,279
Prior Period Adjustment			
<b>FUND BALANCE – END OF YEAR</b>	<b><u>\$ 96,131</u></b>	<b><u>\$264,820</u></b>	<b><u>\$360,951</u></b>

The accompanying notes are an integral part of the financial statements.



**VILLAGE OF GAINES**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES**  
**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>General Fund</u>		<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Special Revenue Funds</u>		<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>		<u>Budget</u>	<u>Actual</u>	
<b>REVENUES:</b>						
Taxes	\$ 63,000	\$ 79,692	\$ 16,692	\$ 25,357	\$ 20,751	\$ (4,606)
Licenses & Permits	2,200	822	(1,378)			
Intergovernmental:						
State	40,000	38,876	(1,124)	45,800	48,984	3,184
Fines & Fees				500	601	101
Interest	4,300	1,282	(3,018)	2,570	8,961	6,391
Miscellaneous	8,500	6,773	(1,727)	67,075	59,051	(8,024)
<b>TOTAL REVENUES</b>	<b>\$118,000</b>	<b>\$127,445</b>	<b>\$ 9,445</b>	<b>\$141,302</b>	<b>\$138,348</b>	<b>\$ (2,954)</b>
<b>EXPENDITURES:</b>						
<b>Current:</b>						
General Government	\$ 62,800	\$ 62,826	\$ (26)	\$	\$	\$
Public Safety	2,000	962	1,038	45,534	43,822	1,712
Highways & Streets				46,876	34,766	12,110
Planning	1,000		1,000			
Recreation & Cultural	4,215	4,657	(442)			
Other	5,000	4,922	78	4,452	3,581	871
Capital Outlay	1,000		1,000	1,600	1,585	15
<b>TOTAL EXPENDITURES</b>	<b>\$ 76,015</b>	<b>\$ 73,367</b>	<b>\$ 2,648</b>	<b>\$ 98,462</b>	<b>\$ 83,754</b>	<b>\$ 14,708</b>
<b>EXCESS (DEFICIENCY)</b>						
<b>OF REVENUES OVER</b>						
<b>EXPENDITURES</b>	<b>\$ 41,985</b>	<b>\$ 54,078</b>	<b>\$ 12,093</b>	<b>\$ 42,840</b>	<b>\$ 54,594</b>	<b>\$ (11,754)</b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF GAINES**  
**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -**  
**BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES (CONTINUED)**  
**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>General Fund</u>		<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>	<u>Special Revenue Funds</u>		<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>		<u>Budget</u>	<u>Actual</u>	
<b>OTHER FINANCING SOURCES (USES):</b>						
Operating Transfers In	\$		\$	\$ 47,550	\$ 28,268	\$ (19,282)
Operating Transfers Out	(31,050)	(28,000)	3,050	(6,500)	(268)	6,232
<b>TOTAL OTHER FINANCING</b>						
<b>SOURCES (USES)</b>	<b>\$ (31,050)</b>	<b>\$ (28,000)</b>	<b>\$ 3,050</b>	<b>\$ 41,050</b>	<b>\$ 28,000</b>	<b>\$ (13,050)</b>
<b>EXCESS OF REVENUES</b>						
<b>&amp; OTHER FINANCING</b>						
<b>SOURCES OVER EXPEND.</b>						
<b>&amp; OTHER FINANCING</b>						
<b>USES</b>	\$ 10,935	\$ 26,078	\$ 15,143	\$ 83,890	\$ 82,594	\$ (1,296)
<b>Fund Balance - Beginning</b>						
<b>of Year</b>	\$ 70,053	\$ 70,053	\$	\$ 182,226	\$ 182,226	\$
<b>Prior Period Adjustment</b>						
<b>FUND BALANCE -</b>						
<b>END OF YEAR</b>	<b>\$ 80,988</b>	<b>\$ 96,131</b>	<b>\$ 15,143</b>	<b>\$ 266,116</b>	<b>\$ 264,820</b>	<b>\$ (1,296)</b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF GAINES  
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES  
IN RETAINED EARNINGS – ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDED MARCH 31, 2007**

	<b>Enterprise (Sewer)</b>
<b>OPERATING REVENUES:</b>	
Charges for Services	\$ <u>39,767</u>
<b>TOTAL OPERATING REVENUES</b>	<b>\$ 39,767</b>
<b>OPERATING EXPENSES:</b>	
Depreciation	\$ 46,707
Repairs & Maintenance	5,729
Pump Maintenance	9,812
County Charges and Billing	31,111
Utilities	957
Professional Fees	<u>350</u>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ <u>94,666</u></b>
<b>OPERATING LOSS</b>	<b>\$ <u>(54,899)</u></b>
<b>NON-OPERATING REVENUES:</b>	
Tap-in Fees	\$ 328
Interest Income	<u>1,434</u>
<b>TOTAL NON-OPERATING REVENUES</b>	<b>\$ <u>1,762</u></b>
<b>NET LOSS</b>	<b>\$ (53,137)</b>
<b>Retained Earnings (Deficit) – Beginning of Year</b>	<b>(496,819)</b>
<b>Prior Period Adjustment</b>	<b>_____</b>
<b>RETAINED EARNINGS (DEFICIT) – END OF YEAR</b>	<b>\$ <u>(549,956)</u></b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF GAINES  
COMBINED STATEMENT OF CASH FLOWS  
ALL PROPRIETARY FUND TYPES  
FOR THE YEAR ENDING MARCH 31, 2007**

	<b>Enterprise (Sewer)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Operating Loss	\$(54,899)
Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities	
Depreciation	46,707
(Increase) in Accounts Receivable	(1,446)
Decrease in Advances to Other Funds	3,434
(Decrease) in Accounts Payable	<u>(1,027)</u>
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	<b>\$ (7,231)</b>
 <b>CASH FLOWS FROM CAPITAL &amp; RELATED FINANCING ACTIVITIES:</b>	
Capital Contributions Received	\$ <u>328</u>
<b>NET CASH FLOWS PROVIDED BY CAPITAL &amp; RELATED FINANCING ACTIVITIES</b>	<b>\$ <u>328</u></b>
 <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest Earned	\$ <u>1,434</u>
<b>NET CASH FLOWS PROVIDED BY INVESTING ACTIVITIES</b>	<b>\$ 1,434</b>
 <b>NET DECREASE IN CASH</b>	<b>\$ (5,469)</b>
 <b>Cash &amp; Cash Equivalents – Beginning of Year</b>	<b><u>185,287</u></b>
 <b>CASH &amp; CASH EQUIVALENTS – END OF YEAR</b>	<b><u>\$179,818</u></b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF GAINES  
NOTES TO FINANCIAL STATEMENTS  
MARCH 31, 2007**

**I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Village of Gaines is located in Genesee County, Michigan. The Village Council consisting of nine members and provides various services to its residents.

The accounting and reporting policies of the Village of Gaines conform to generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting policies. The following is a summary of the more significant policies.

**A. FINANCIAL REPORTING ENTITY**

The accompanying general purpose financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board (GASB) in its Statement 14 for determining the various governmental organizations to be included in the financial reporting entity. The Village is the primary government having oversight responsibility and control over all activities. The Village receives funding from local and state government sources and must comply with all concomitant requirements of these funding sources entities. As required by generally accepted accounting principles, the financial statements of the reporting entity includes those activities of the Village (the primary government) and do not include any other component unit within its general purpose financial statements.

**B. BASIS OF PRESENTATION – FUND ACCOUNTING**

The accounts of the Village are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts comprised of assets, liabilities, revenues and expenditures or expenses, as appropriate. Government resources are allocated and accounted for in individual funds based on the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are displayed as follows in the financial statements.

**GOVERNMENTAL FUNDS**

**GENERAL FUND** – The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants and other intergovernmental revenues.

**SPECIAL REVENUE FUNDS** – Special Revenue Funds are used to account for revenues derived from special sources usually required by law or regulation to be accounted for in separate funds.

**VILLAGE OF GAINES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2007**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B - BASIS OF PRESENTATION – FUND ACCOUNTING (CONTINUED)**

**PROPRIETARY FUNDS**

**ENTERPRISE FUND** – The Enterprise Fund is used to account for operations (a) financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management controls and accountability, or other purposes.

**FIDUCIARY FUND**

**AGENCY FUND** – An Agency Fund is generally used to account for assets held by the Village as an agent for individuals, private organizations, other governments, and/or other funds. These are custodial in nature and do not involve measurement of results of operations.

**C - BASIS OF ACCOUNTING AND MEASUREMENT FOCUS**

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds and agency funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net assets. The modified accrual basis of accounting is used for all governmental funds and agency funds. Their revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Significant revenues susceptible to accrual include property taxes, interest earnings, reimbursement-type grants, and reimbursements for the use of materials or services. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt, which is recognized when due. The Village considers property taxes as available if they are collected within 60 days after year end.

**VILLAGE OF GAINES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2007**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C - BASIS OF ACCOUNTING AND MEASUREMENT FOCUS (CONTINUED)**

The Proprietary Fund is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (i.e., net total assets) is segregated into contributed capital and retained earnings components. Operating statements present increases (e.g., revenues) and decreases (e.g., expenses) in net total assets. The accrual basis of accounting is used for the Proprietary Fund. Its revenues are recognized when earned, and expenses are recognized when incurred. In accordance with Governmental Accounting Standards Board Statement 20, the Village has applied all applicable GASB pronouncements, as well as all Financial Accounting Standards Board (FASB) Statements and Interpretations issued after November 30, 1989, unless the FASB pronouncements conflict or contradict GASB pronouncements. Non-exchange contributions (generally tap-in fees) are recorded as non-operating revenues.

Property taxes are levied on July 1, and delinquent taxes become an enforceable lien on the property as of December 31. The Village bills and collects its own property taxes. Collection of taxes is accounted for in the tax collections fund. Village property tax revenues are recognized when levied.

**D - BUDGETARY DATA**

1. A budget for the fiscal year was adopted by the Village Council for all budgetary funds, in total by fund. The original budget and subsequent amendments approved by a majority vote of the Village Council include proposed expenditures and ways of financing those expenditures.
2. A public hearing is conducted to obtain taxpayer comments.
3. The budget is adopted on a basis consistent with generally accepted accounting principles.
4. Appropriations lapse at year end.

**E - RECEIVABLES**

Receivables have been recognized for all significant amounts due the Village in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided as all receivables are considered collectible.

**F - CASH EQUIVALENTS**

All highly liquid investments with a maturity of three months or less when purchased are defined as cash equivalents.

**VILLAGE OF GAINES**  
**NOTES TO FINANCIAL STATEMENTS (CONTINUED)**  
**MARCH 31, 2007**

**I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**G - TOTAL COLUMNS ON COMBINED STATEMENTS**

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**H - ENCUMBRANCES**

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

**I - USE OF ESTIMATES**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**II - CASH AND INVESTMENTS**

The Village is authorized by the State of Michigan Public Act 132 of 1986 to deposit its funds in banks, savings and loan associations, or credit unions having their principal offices in the State of Michigan. Surplus funds of the Village are permitted to be invested in bonds, bills or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the state; certificates of deposit issued by a state or national bank savings accounts of a state or federal savings and loan association, or certificates of deposit or share certificates of a state or federal credit union organized and authorized to operate in this state; commercial paper rates prime at the time of purchase and maturing not more than 270 days after the date of purchase; securities issued or guaranteed by agencies or instrumentalities of the United States government; United States government or federal agency obligation repurchase agreements; bankers' acceptances issued by a bank that is a member of the federal deposit insurance corporation; mutual funds composed entirely of investment vehicles that are legal for direct investment by a village; and investment pools, as authorized by the surplus funds investment pool act, act No. 367 of the Public acts of 1982, being sections 129.111 to 129.118 of the Michigan Compiled Laws that are legal for direct investment by a Village.



**VILLAGE OF GAINES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2007**

**II - CASH AND INVESTMENTS (CONTINUED)**

The carrying value amount at year end of the Village deposits with financial institutions was \$524,549. An additional \$50 of petty cash is not on deposit with any financial institution at year end. The actual balances amounted to \$524,549. Of this amount \$200,000 is insured by the FDIC and \$324,549 was uninsured and uncollateralized.

	<u>Total Amount</u>	<u>FDIC Insured</u>	<u>FDIC Uninsured</u>
Checking & Savings	\$200,822	\$100,000	\$100,822
Certificate of Deposit	<u>323,727</u>	<u>100,000</u>	<u>223,727</u>
	<u>\$524,549</u>	<u>\$200,000</u>	<u>\$324,549</u>

**III - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**BUDGET VARIANCES**

Michigan Public Act 621 of 1978, Section 18 (1), as amended, provides that a local government unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2007, the Village incurred expenditures in the General and Special Revenue Funds in excess of the amount appropriated as follows:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
General Fund	\$ 7,590	\$ 8,682	\$ 1,092
Special Revenue Funds:			
Sidewalk Fund	1,258	2,021	763

**DEFICIT FUND BALANCE/RETAINED EARNINGS**

The Village has an accumulated deficit retained earnings/fund balance in the following funds:

<u>Fund</u>	<u>Deficit Balance</u>
Enterprise Fund:	
Sewer Fund – Retained Earnings (Deficit)	\$(549,956)

The deficit in the Sewer Enterprise Fund was caused by operating expenses exceeding operating revenues. The Sewer Fund has positive total fund equity and working capital.

**VILLAGE OF GAINES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2007**

**IV - INTERFUND RECEIVABLES AND PAYABLES**

Interfund receivables and payables of the individual funds at March 31, 2007, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Street Fund	\$ 4,043
	Local Street Fund	1,827
	Fire Fund	3,097
	Police Fund	6,609
	Sewer Fund	1,375
	Tax Fund	46
	General Fund	1,856
Equipment Replace Fund	Sewer Fund	666
Major Street Fund	Local Street Fund	7,532
Sewer Fund	General Fund	1,313
Street Maintenance Fund	General Fund	1,019
Sidewalk Fund	General Fund	<u>\$29,383</u>

**V - PROPRIETARY FUND PROPERTY AND EQUIPMENT**

A summary of proprietary fund type property and equipment at March 31, 2007 is as follows:

	<u>Cost</u>	<u>Useful Life</u>
Water and Sewer Mains	\$2,335,362	50 years
Less: Accumulated Depreciation	<u>1,066,480</u>	
	<u>\$1,268,882</u>	

**VI - SIGNIFICANT CONCENTRATIONS OF CREDIT RISK**

Financial instruments potentially subjecting the Village to concentrations of credit risk consist principally of uninsured cash deposits. Risk associated with cash is disclosed in Note 2.

**VILLAGE OF GAINES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2007**

**VII - CONSTRUCTION CODE REVENUES/EXPENDITURES**

The State Construction Code Act, Michigan Public Act 245 of 1999, and rules promulgated by the Department of Treasury regarding that Act, require that a local unit's fees collected from construction code permits be accounted for in a method which shows that all of these fees were used for expenditures related to the operation of the enforcing agency. The rules indicated that if the revenues exceeded the expenditures, the fees must be kept in a separate fund with all the revenues and expenditures accounted for in that fund. These rules allowed for monitoring these funds in a separate activity center within the General Fund and reserving General Fund balance for the excess of building department revenues over expenditures since adoption of the act. The activity related to construction code activity for the year ended March 31, 2007 and General Fund reserved fund balance at year end is as follows:

Beginning Reserved Fund Balance	\$ 537
Construction Permit Revenue	822
Expenditures:	
Professional Services	<u>962</u>
REVENUES OVER EXPENDITURES	\$ <u>397</u>

**VIII - FIXED ASSETS**

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group. All purchase fixed assets are valued at cost where historical cost records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

**VILLAGE OF GAINES  
NOTES TO FINANCIAL STATEMENTS (CONTINUED)  
MARCH 31, 2007**

**VIII - FIXED ASSETS (CONTINUED)**

Public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs, and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

Assets in the general fixed assets account group are not depreciated. Depreciation of buildings, equipment and vehicles in the proprietary fund types is computed using the straight-line method.

A summary of the fixed assets account group is as follows:

	<u>Balance</u> <u>3-31-06</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>3-31-07</u>
Buildings	\$ 21,303	\$	\$	\$ 21,303
Vehicles	29,383			29,383
Equipment	<u>8,134</u>	<u>1,386</u>	<u>      </u>	<u>9,520</u>
<b>TOTALS</b>	<b>\$ <u>58,820</u></b>	<b>\$ <u>1,386</u></b>	<b>\$ <u>      </u></b>	<b>\$ <u>60,206</u></b>

The above asset valuations are only based on historical cost after 1998. Historical costs prior to 1998 is unknown. Depreciation expense is \$46,707.

**COMBINING AND INDIVIDUAL FUND  
FINANCIAL STATEMENTS**

**VILLAGE OF GAINES  
GENERAL FUND  
SCHEDULE OF EXPENDITURES COMPARED TO BUDGET  
FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>GENERAL GOVERNMENT:</b>			
Village Council	\$ 2,175	\$ 2,750	\$ (575)
Village President	1,200	1,275	(75)
Village Clerk	38,204	36,264	1,940
Village Treasurer	3,366	5,335	(1,969)
Village Hall & Grounds	14,000	13,507	493
Meetings, Transportation & Sundry	2,000	1,928	72
Public Benefit	<u>1,855</u>	<u>1,767</u>	<u>88</u>
<b>TOTAL GENERAL GOV'T</b>	<b>\$62,800</b>	<b>\$62,826</b>	<b>\$ (26)</b>
<b>PUBLIC SAFETY:</b>			
Building Inspector	\$ <u>2,000</u>	\$ <u>962</u>	\$ <u>1,038</u>
<b>TOTAL PUBLIC SAFETY</b>	<b>\$ <u>2,000</u></b>	<b>\$ <u>962</u></b>	<b>\$ <u>1,038</u></b>
<b>PLANNING:</b>			
Planning	\$ <u>1,000</u>	\$ _____	\$ <u>1,000</u>
<b>TOTAL PLANNING</b>	<b>\$ <u>1,000</u></b>	<b>\$ _____</b>	<b>\$ <u>1,000</u></b>
<b>RECREATION &amp; CULTURAL:</b>			
Depot & Library	\$ <u>4,215</u>	\$ <u>4,657</u>	\$ <u>(442)</u>
<b>TOTAL RECREATION &amp; CULTURAL</b>	<b>\$ <u>4,215</u></b>	<b>\$ <u>4,657</u></b>	<b>\$ <u>(442)</u></b>
<b>OTHER</b>	<b><u>5,000</u></b>	<b><u>4,922</u></b>	<b><u>78</u></b>
<b>CAPITAL OUTLAY</b>	<b><u>1,000</u></b>	<b>_____</b>	<b><u>1,000</u></b>
<b>TOTAL EXPENDITURES</b>	<b>\$<u>76,015</u></b>	<b>\$<u>73,367</u></b>	<b>\$ <u>2,648</u></b>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF GAINES  
SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
MARCH 31, 2007

	Major Street	Local Street	Fire	Police	Sidewalk	Equipment Replacement	Street Maintenance	Total
ASSETS:								
Cash & Cash Equiv.	\$ 98,169	\$ 86,310	\$13,221	\$ 7,338	\$1,792	\$33,910	\$32,728	\$273,468
Delinquent Taxes Rec.			3,321					3,321
Due from Other Funds	666				1,019	1,856	1,313	4,854
Due from Other Gov't.	5,570	1,819						7,389
TOTAL ASSETS	<u>\$104,405</u>	<u>\$88,129</u>	<u>\$16,542</u>	<u>\$ 7,338</u>	<u>\$2,811</u>	<u>\$35,766</u>	<u>\$34,041</u>	<u>\$289,032</u>
LIABILITIES & FUND BALANCES:								
LIABILITIES:								
Accounts Payable	\$ 184	\$ 143	\$ 258	\$ 519	\$	\$	\$	\$ 1,104
Advances from Other Funds		7,532						7,532
Due to Other Funds	4,043	1,827	3,097	6,609				15,576
TOTAL LIABILITIES	<u>\$ 4,227</u>	<u>\$ 9,502</u>	<u>\$ 3,355</u>	<u>\$ 7,128</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 24,212</u>
FUND BALANCES:								
Unreserved	<u>\$100,178</u>	<u>\$ 78,627</u>	<u>\$13,187</u>	<u>\$ 210</u>	<u>\$2,811</u>	<u>\$35,766</u>	<u>\$34,041</u>	<u>\$264,820</u>
TOTAL FUND BAL.	<u>\$100,178</u>	<u>\$ 78,627</u>	<u>\$13,187</u>	<u>\$ 210</u>	<u>\$2,811</u>	<u>\$35,766</u>	<u>\$34,041</u>	<u>\$264,820</u>
TOTAL LIABILITIES & FUND BALANCES	<u>\$104,405</u>	<u>\$88,129</u>	<u>\$16,542</u>	<u>\$ 7,338</u>	<u>\$2,811</u>	<u>\$35,766</u>	<u>\$34,041</u>	<u>\$289,032</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF GAINES  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2007

	Major Street	Local Street	Fire	Police	Sidewalk	Equipment Replacement	Street Maintenance	Total
REVENUES:								
Taxes	\$	\$	\$ 21,207	\$	\$	\$	\$ (456)	\$ 20,751
Intergovernmental:								
State	36,908	12,076						48,984
Fines & Fees				601				601
Interest	5,197	2,161	12	36	65	88	1,402	8,961
Miscellaneous	1,450	57,598		3				59,051
TOTAL REVENUES	\$ 43,555	\$ 71,835	\$ 21,219	\$ 640	\$ 65	\$ 88	\$ 946	\$ 138,348
EXPENDITURES:								
Current:								
Public Safety	\$	\$	\$ 13,862	\$ 29,960	\$	\$	\$	\$ 43,822
Highways & Streets	18,749	16,017						34,766
Other					2,021	1,473	87	3,581
Capital Outlay						1,585		1,585
TOTAL EXPEND.	\$ 18,749	\$ 16,017	\$ 13,862	\$ 29,960	\$ 2,021	\$ 3,058	\$ 87	\$ 83,754
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 24,806	\$ 55,818	\$ 7,357	\$ (29,320)	\$ (1,956)	\$ (2,970)	\$ 859	\$ 54,594

The accompanying notes are an integral part of the financial statements.



VILLAGE OF GAINES  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Major Street</u>	<u>Local Street</u>	<u>Fire</u>	<u>Police</u>	<u>Sidewalk</u>	<u>Equipment Replacement</u>	<u>Street Maintenance</u>	<u>Total</u>
OTHER FINANCING SOURCES:								
Transfers In	\$			\$ 28,000	\$	\$ 268	\$	\$ 28,268
Transfers Out	<u>(161)</u>	<u>(107)</u>						<u>(268)</u>
TOTAL OTHER FINANCING SOURCES	\$ <u>(161)</u>	\$ <u>(107)</u>	\$	\$ <u>28,000</u>	\$	\$ <u>268</u>	\$	\$ <u>28,000</u>
EXCESS (DEFICIENCY) OF REVENUES & OTHER FINANCING SOURCES OVER EXPEND.								
	\$ 24,645	\$ 55,711	\$ 7,357	\$ (1,320)	\$ (1,956)	\$ (2,702)	\$ 859	\$ 82,594
Fund Balance -- Beginning of Year	75,533	22,916	5,830	1,530	4,767	38,468	33,182	182,226
Prior Period Adjust.								
FUND BALANCE -- END OF YEAR	\$ <u>100,178</u>	\$ <u>78,627</u>	\$ <u>13,187</u>	\$ <u>210</u>	\$ <u>2,811</u>	\$ <u>35,766</u>	\$ <u>34,041</u>	\$ <u>264,820</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF GAINES  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET TO ACTUAL  
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Major Street Fund</u>			<u>Local Street Fund</u>			<u>Fire Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES:									
Taxes	\$	\$	\$	\$	\$	\$	\$25,357	\$21,207	\$ (4,150)
Intergovernmental:									
State	34,000	36,908	2,908	11,800	12,076	276			
Interest	500	5,197	4,697	1,370	2,161	791	10	12	2
Miscellaneous		<u>1,450</u>	<u>1,450</u>	<u>59,704</u>	<u>57,598</u>	<u>(2,106)</u>			
TOTAL REVENUES	\$ <u>34,500</u>	\$ <u>43,555</u>	\$ <u>9,055</u>	\$ <u>72,874</u>	\$ <u>71,835</u>	\$ <u>(1,039)</u>	\$ <u>25,367</u>	\$ <u>21,219</u>	\$ <u>(4,148)</u>
EXPENDITURES:									
Current:									
Public Safety	\$	\$	\$	\$	\$	\$	\$13,984	\$13,862	\$ 122
Hwys. & Streets	<u>20,208</u>	<u>18,749</u>	<u>1,459</u>	<u>26,668</u>	<u>16,017</u>	<u>10,651</u>			
TOTAL EXPEND.	\$ <u>20,208</u>	\$ <u>18,749</u>	\$ <u>1,459</u>	\$ <u>26,668</u>	\$ <u>16,017</u>	\$ <u>10,651</u>	\$ <u>13,984</u>	\$ <u>13,862</u>	\$ <u>122</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ <u>14,292</u>	\$ <u>24,806</u>	\$ <u>10,514</u>	\$ <u>46,206</u>	\$ <u>55,818</u>	\$ <u>(9,612)</u>	\$ <u>11,383</u>	\$ <u>7,357</u>	\$ <u>(4,026)</u>
OTHER FINANCING SOURCES (USES):									
Transfers In	\$	\$	\$	\$ 15,000	\$	\$ (15,000)	\$	\$	\$
Transfers Out	<u>(500)</u>	<u>(161)</u>	<u>339</u>	<u>(6,000)</u>	<u>(107)</u>	<u>5,893</u>			
TOTAL OTHER FINANC. SOURCES (USES)	\$ <u>(500)</u>	\$ <u>(161)</u>	\$ <u>339</u>	\$ <u>9,000</u>	\$ <u>(107)</u>	\$ <u>(9,107)</u>	\$	\$	\$
EXCESS (DEFICIENCY) OF REVENUES & OTHER FINANCING SOURCES OVER EXPENDITURES & OTHER FINANCING USES	\$ 13,792	\$ 24,645	\$ 10,853	\$ 55,206	\$ 55,711	\$ 505	\$ 11,383	\$ 7,357	\$ (4,026)

The accompanying notes are an integral part of the financial statements.

VILLAGE OF GAINES  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES – BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Major Street Fund</u>			<u>Local Street Fund</u>			<u>Fire Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Fund Balance –									
Beginning of Year	\$75,533	\$ 75,533	\$	\$22,916	\$22,916	\$	\$ 5,830	\$ 5,830	\$
Prior Period Adjust.	—	—	—	—	—	—	—	—	—
FUND BALANCE									
END OF YEAR	<u>\$89,325</u>	<u>\$100,178</u>	<u>\$10,853</u>	<u>\$78,122</u>	<u>\$78,627</u>	<u>\$ 505</u>	<u>\$17,213</u>	<u>\$13,187</u>	<u>\$(4,026)</u>

The accompanying notes are an integral part of the financial statements.

VILLAGE OF GAINES  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Police Fund</u>		<u>Sidewalk Fund</u>		<u>Variance</u> Favorable (Unfavorable)		<u>Equipment Replacement Fund</u>		<u>Variance</u> Favorable (Unfavorable)	
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>			<u>Budget</u>	<u>Actual</u>		
REVENUES:										
Taxes	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Fines & Fees	500	601			101					
Interest	10	36	30	65	26	35	500	88	(412)	
Miscellaneous		3			3		7,371		(7,371)	
TOTAL REVENUES	<u>\$ 510</u>	<u>\$ 640</u>	<u>\$ 30</u>	<u>\$ 65</u>	<u>\$ 130</u>	<u>\$ 35</u>	<u>\$ 7,871</u>	<u>\$ 88</u>	<u>\$ (7,783)</u>	
EXPENDITURES										
Current:										
Public Safety	\$ 31,550	\$ 29,960	\$	\$ 2,021	\$ 1,590	(763)	\$	\$	\$	\$
Other			1,258				2,844	1,473	1,371	
Capital Outlay							1,600	1,585	15	
TOTAL EXPEND.	<u>\$ 31,550</u>	<u>\$ 29,960</u>	<u>\$ 1,258</u>	<u>\$ 2,021</u>	<u>\$ 1,590</u>	<u>\$ (763)</u>	<u>\$ 4,444</u>	<u>\$ 3,058</u>	<u>\$ 1,386</u>	
EXCESS (DEFICIENCY)										
OF REVENUES OVER										
EXPENDITURES	<u>\$(31,040)</u>	<u>\$(29,320)</u>	<u>\$(1,228)</u>	<u>\$(1,956)</u>	<u>\$ 1,720</u>	<u>\$ (728)</u>	<u>\$ 3,427</u>	<u>\$(2,970)</u>	<u>\$ (6,397)</u>	
OTHER FINANCING SOURCES (USES):										
Transfers In	\$ 31,050	\$ 28,000	\$	\$	\$ (3,050)	\$	\$ 1,500	\$ 268	\$ (1,232)	
Transfers Out										
TOTAL OTHER FIN.										
SOURCES (USES)	<u>\$ 31,050</u>	<u>\$ 28,000</u>	<u>\$</u>	<u>\$(1,956)</u>	<u>\$ (3,050)</u>	<u>\$</u>	<u>\$ 1,500</u>	<u>\$ 268</u>	<u>\$(1,232)</u>	
EXCESS (DEFICIENCY)										
OF REVENUES & OTHER										
FINANCING SOURCES										
OVER EXPENDITURES										
& OTHER FINANCING	\$ 10	\$ (1,320)	\$ (1,228)	\$(1,956)	\$ (1,330)	\$ (728)	\$ 4,927	\$(2,702)	\$ (7,629)	
USES										

The accompanying notes are an integral part of the financial statements.

VILLAGE OF GAINES  
SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES – BUDGET TO ACTUAL (CONTINUED)  
FOR THE YEAR ENDED MARCH 31, 2007

	<u>Police Fund</u>			<u>Sidewalk Fund</u>			<u>Equipment Replacement Fund</u>		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Fund Balance Beginning Of Year	\$ 1,530	\$ 1,530	\$	\$ 4,767	\$ 4,767	\$	\$ 38,468	\$ 38,468	\$
Prior Period Adjustment	—	—	—	—	—	—	—	—	—
FUND BALANCE – END OF YEAR	<u>\$ 1,540</u>	<u>\$ 210</u>	<u>\$ (1,330)</u>	<u>\$ 3,539</u>	<u>\$ 2,811</u>	<u>\$ (728)</u>	<u>\$ 43,395</u>	<u>\$ 35,766</u>	<u>\$ (7,629)</u>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF GAINES**  
**SPECIAL REVENUE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET TO ACTUAL (CONTINUED)**  
**FOR THE YEAR ENDED MARCH 31, 2007**

	<u>Street Maintenance Fund</u>			<u>Total</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>(Unfavorable)</u>
<b>REVENUES:</b>					
Taxes	\$	\$ (456)	\$ 25,357	\$ 20,751	\$ (4,606)
Intergovernmental:					
State			45,800	48,984	3,184
Fines & Fees			500	601	101
Interest	150	1,402	2,570	8,961	6,391
Miscellaneous			67,075	59,051	(8,024)
<b>TOTAL REVENUES</b>	<b>\$ 150</b>	<b>\$ 946</b>	<b>\$ 141,302</b>	<b>\$ 138,348</b>	<b>\$ (2,954)</b>
<b>EXPENDITURES:</b>					
Current:					
Public Safety	\$	\$	\$ 45,534	\$ 43,822	\$ 1,712
Highways & Streets			46,876	34,766	12,110
Other	350	87	4,452	3,581	871
Capital Outlay			1,600	1,585	15
<b>TOTAL EXPENDITURES</b>	<b>\$ 350</b>	<b>\$ 87</b>	<b>\$ 98,462</b>	<b>\$ 83,754</b>	<b>\$ 14,708</b>
<b>EXCESS (DEFICIENCY) OF</b>					
<b>REVENUES OVER EXPEND.</b>	<b>\$ (200)</b>	<b>\$ 859</b>	<b>\$ 42,840</b>	<b>\$ 54,594</b>	<b>\$ (11,754)</b>
<b>OTHER FINANCING SOURCES (USES):</b>					
Operating Transfers In	\$	\$	\$ 47,550	\$ 28,268	\$ (19,282)
Operating Transfers Out			(6,500)	(268)	6,232
<b>TOTAL OTHER FINANCING</b>					
<b>SOURCES (USES)</b>	<b>\$</b>	<b>\$</b>	<b>\$ 41,050</b>	<b>\$ 28,000</b>	<b>\$ (13,050)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES</b>					
<b>&amp; OTHER FINANCING SOURCES</b>					
<b>OVER EXPENDITURES &amp; OTHER</b>	<b>\$ (200)</b>	<b>\$ 859</b>	<b>\$ 83,890</b>	<b>\$ 82,594</b>	<b>\$ (1,296)</b>
<b>FINANCING USES</b>					
<b>Fund Balance – Beginning of Year</b>	<b>33,182</b>	<b>33,182</b>	<b>182,226</b>	<b>182,226</b>	
<b>Prior Period Adjustment</b>					
<b>FUND BALANCE END OF YEAR</b>	<b>\$ 32,982</b>	<b>\$ 34,041</b>	<b>\$ 266,116</b>	<b>\$ 264,820</b>	<b>\$ (1,296)</b>

The accompanying notes are an integral part of the financial statements.

**VILLAGE OF GAINES  
COMBINING STATEMENT OF CHANGES IN ASSETS  
AND LIABILITIES – ALL AGENCY FUND TYPES  
MARCH 31, 2007**

	<b>Balance April 1, <u>2006</u></b>	<b><u>Additions</u></b>	<b><u>Deductions</u></b>	<b>Balance March 31, <u>2007</u></b>
<b>CURRENT TAX</b>				
<b>ASSETS:</b>				
Cash & Cash Equivalents	<u>\$20,349</u>	<u>\$77,748</u>	<u>\$97,702</u>	<u>\$ 395</u>
<b>TOTAL ASSETS</b>	<u><b>\$20,349</b></u>	<u><b>\$77,748</b></u>	<u><b>\$97,702</b></u>	<u><b>\$ 395</b></u>
<b>LIABILITIES:</b>				
Due to Other Funds	\$19,818	\$ 46	\$19,818	\$ 46
Due to Other Gov't	<u>531</u>	<u>182</u>	<u>182</u>	<u>349</u>
<b>TOTAL LIABILITIES</b>	<u><b>\$20,349</b></u>	<u><b>\$ 46</b></u>	<u><b>\$20,000</b></u>	<u><b>\$ 395</b></u>

The accompanying notes are an integral part of the financial statements.



## DEMIS and WENZLICK, P.C.

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David Pullen  
Vicki E. Schuler  
Joyce M. Simmons  
Barbara Wenzlick

**Village Council  
Village of Gaines  
Genesee County, Michigan**

**In compliance with the provisions of Section 11, Paragraph 2, of Act 2, Public Acts of 1968, we discovered the following areas which required specific recommendation, as a result of the audit our firm performed on the financial statements of the Village of Gaines for the year ended March 31, 2007.**

### **BUDGET**

**The State Revenue Sharing Distribution Law, P.A. 176, of 1980, includes a compliance requirement in budgeting. It is important under this act that expenditures do not exceed budget. Expenditures include accounts payable at March 31, 2007. Budgeted expenditures cannot exceed budgeted revenues plus the beginning fund balance.**

**During our audit we noticed four expenditure accounts exceeded budgeted amounts. Expenditures should be monitored so that the budget is not exceeded. The budget may be amended prior to the end of the fiscal year.**

**We wish to thank the board for the excellent cooperation we received in performing the Village audit. If we can be of any further assistance to the Village please contact us.**

*Demis and Wenzlick, P.C.*

**Certified Public Accountants**

**Owosso, Michigan  
August 3, 2007**